

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 265 (Senator Pinsky)
Budget and Taxation and Economic and Environmental Affairs

Education - Maintenance of Effort Requirements

This bill reduces the county maintenance of effort funding requirement for school systems with rising enrollment. The reduction is based on the school system's average performance rating in the Maryland School Performance Program. In addition, county governments are required to provide school funding consistent with the local board's requirements of meeting opportunity to learn objectives. Local boards are required to report to the county governing body on the school system's operation and the county governing body is required to report to the local board on the status and future projections of the county's budget.

Fiscal Summary

State Effect: General fund expenditures could decrease by an indeterminate amount beginning in FY 2000, as discussed below. Revenues would not be affected.

Local Effect: Indeterminate effect on local revenues and expenditures.

Fiscal Analysis

Background: Under current law, counties with increasing enrollments must appropriate the same level of per pupil funding to the local boards as in the prior fiscal year. This bill reduces the mandatory increase by a percentage based on student performance. This bill also excludes non-recurring school expenses from the maintenance of effort calculation.

The Maryland School Performance Program (MSPP) is designed to promote greater accountability and improve the educational performance of students, schools, and school systems. Major elements of the plan include the Maryland Functional Testing Program, the Maryland School Performance Assessment Program (MSPAP), student participation (attendance and dropout rates), student attainment (promotion and high school program

completion rates), and post-secondary educational decisions. The Maryland State Department of Education (MSDE) publishes the program's result in the annual Maryland School Performance Report. Pursuant to this legislation, counties with at least an 85% rating will have a reduction in their maintenance of effort requirement. However, MSDE does not calculate a single performance rating for a school system, in that the program encompasses several measurements in different performance areas.

State Effect: Since a component of the formula used to distribute State aid to primary and secondary education is based on the average per pupil expenditures in the third and fourth preceding years, general fund expenditures could decrease if the lower maintenance of effort results in less local spending on education. The lower local spending, however, would not impact State aid until fiscal 2000.

Local Effect: Local government expenditures could decrease by an indeterminate amount depending upon how a school system's rating on the MSPP affects its local maintenance of effort requirement. Under current law, local school appropriations must increase from \$2,814,573,425 in fiscal 1996 to \$2,888,058,882 in fiscal 1997, reflecting a \$73.5 million or 2.6% increase. Pursuant to this legislation, a local school maintenance of effort requirement would be less if the average systemwide performance rating is not below 85%. Since there is no one school performance rating, the actual impact cannot be quantified at this time.

In addition, local appropriations could increase by a significant amount if a county government is required to provide the level of funds requested by the local boards to meet the opportunity to learn objectives. The legislation does not state who determines whether a county is currently meeting these standards or how much additional funding would be required.

Local expenses related to additional reporting requirements to the county governments are assumed to be minimal and absorbable within existing resources.

Information Source(s): Department of Fiscal Services, Maryland State Department of Education

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